

Message Text

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ATTN PARIS FOR MARK PRATT

E.O. 11652: N/A

TAGS: SOPN, XC, US

SUBJECT: JULY 11 EA PRESS SUMMARY

1. CHINA

FROM HK, WP'S MATHEWS WRITES THAT PRC LEADER INDICATED TO
NCUSCT'S PHILLIPS THEY'LL RESUME PURCHASES US GRAIN AFTER
2 YRS ABSENCE FROM GLUTTED US WHEAT MKT. PRC ALSO CON-
TRACTED FOR DELIVERY ABOUT 7 MIL METRIC TONS CANADIAN/
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AUSSIE/ARGENTINA WHEAT IN '77--LARGEST GRAIN IMPORTS SINCE
'74. US TRADE EXPERTS BELIEVE PRC MAY FEAR STRIKES/DELAYS
MAY SLOW CANADIAN DELIVERIES. MATHEWS ADDS PRC COULDN'T
HAVE CHOSEN BETTER TIME BUY US GRAIN, PRICES AT 5 YR LOW.
NOTES PRC FORNEX DEFICIT/SEVERE POL DIFFICULTIES BROUGHT
END PURCHASES US GRAIN AFTER '74. PHILLIPS AFTER VISIT TO
PRC ALSO SAID PRC PROMISED BUY MORE US GOODS LATTER PART

'77/AMT INCREASE DEPENDENT ON HOW FAR CARTER ADMIN MOVES TOWARD DIPL RECOG. ADDS PHILLIPS GIVEN PARTICULARLY WARM WELCOME IN PRC/PERSONALLY FAVORS NORMALIZATION OF RELS/ SAID THOUGHT CONGRESS SHOULD "GET THE MESSAGE" RE LONG-RANGE ADVANTAGES TRADE/DIP THAT WOULD GROW OUT OF RECOG. EXPERTS SAY PEKING WANTS BUY GRAIN NOW TO REPLENISH RESERVES. ALSO REPORT CHINESE AGAIN BEGUN PURCHASES US COTTON/SHOW RENEWED INTEREST PURCHASE US OIL EQUIPMENT. PHILLIPS MENTIONS SAW SIGNS NEW PRAGMATISM IN PRC ECON POLICY DURING TRIP. EEC DEL LEAVES FOR PRC 7/11 FOR TALKS ON TRADE AGREEMENT (WP AND NYT). REUTER-PEKING DISPATCH IN NYT CITES SOURCES AS SAYING ALL "MAJOR MISUNDERSTANDINGS" CLEARED UP AND DEL LEADER/EEC DIR GEN EXT AFFAIRS HAS NO DOUBT FORMAL NEGOTS WOULD SUCCEED.

SPEC TO NYT FROM TAIPEI REPORTS TAIWAN TIES W/SAUDI ARABIA HAVE BECOME INCREASINGLY IMPORTANT AT TIME CARTER ADMIN APPEARS MOVING CLOSER SWITCHING DIP RELS FROM TAIPEI TO PEKING. VISIT OF PRES CKYEN TO JIDDHA 7/10 SAID UNDERLINE BOND. MENTIONS FAISAL/CHIANG FRIENDLY, W/STRONG COMMON DISTRUST OF COMMUNISTS AND LINKS TIGHTENED BY COMMERCE. SAUDIS SUPPLY 40 PCT TAIWAN OIL NEEDS/HAVE EXTENDED 110 MIL DOL LOAN. TRADE BETW TWO UP FROM 13 MIL DOLS IN '74 TO 535 MIL DOLS IN '76. TAIWAN SUPPLIES SAUDI'S W/TECH GROUPS/AGRIC TEAMS. UNCLASSIFIED

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AFTER 16 YRS LOPSIDED FRIENDSHIP W/PRC, ALBANIA SHARPLY ATTACKED ITS LONG TIME ALLY/RETREATED FURTHER INTO ISOLATION. ALBANIAN CP PAPER EDIT ACCUSED PRC OF "OPPORTUNISM"/"A FLAGRANT DEPARTURE FROM MARXISM-LENINISM." EDIT FAILED ATTACK PRC BY NAME/ATTACKED PROPONENTS OF "THEORY OF THREE WORLDS"/SCORNE PRC FOREIGN POLICY. UNLIKELY HOXHA WILL RETURN TO SOV BLOC/WATER DOWN COUNTRY'S HOSTILITY TOWARD SOVS. PAPER ALSO RENEWED DENUNCIATIONS OF SOVS/US. HOXHA CONCERN RE PRC SAID INCREASED AFTER MAO DEATH. DIP OBSERVERS BELIEVE IDEOLOGICAL DISPUTE W/PRC MAY MAKE DIVISIONS IN ALBANIAN PARTY. COUNTRY LIKELY TO REMAIN POLITICAL FOSSIL LEFT OVER FROM VANISHED WORLD SAYS MICHAEL DOBBS IN 7/9 WP SPEC FROM BELGRADE.

ROSS MUNRO (TORONTO GLOBE AND MAIL) IN SPEC TO CSM ALSO NOTES PRC ROASTED BY OLD ALLY ALBANIA. OPINES UNPRECEDENTED BUT SURPRISE MOVE MAY MARK FIRST TIME ANY COUNTRY EVER OPENLY/SERIOUSLY CRITICIZED CHINA FOR NOT BEING SUFFICIENTLY RADICAL. SAME ARTICLE CITES CSM CORRESPONDENT JOHN COOLEY FROM ATHENS THAT ALBANIA WATCHERS SEEMED PAY LITTLE ATTENTION TO ZERI POPULLIT EDIT WHEN FIRST

PUBLISHED 7/8. NOTES DIPS CONFIRMED NUMBER PRC ADVISERS IN ALBANIA DOWN SINCE NOV WHEN HOXHA HINTED PRC AID LESSENING. EDIT COMMENTARY USED HARSH WORDS AS "OPPORTUNITIS"/"ANTI-LENINIST" TO DESCRIBE PRC FOREIGN POLICY BUT NO MENTION PRC BY NAME. ALSO CRITICIZED PRC FOR DEVELOPING TOO CLOSE RELS W/US. ARTICLE ADDS ALBANIA PUBLIC CRITICISM PRC CAME AT END WEEK UNTOWARD NEWS FOR PRC--ARMY COUP IN PAKISTAN AND JAILING OF BHUTTO; DEFECTED PRC PILOT TO TAIWAN. FOREIGN OBSERVERS IN PEKING SEE SIGNS INDICATING PRC ONCE AGAIN IN PERIOD INTENSE POL MANEUVERING W/MOST MYSTIFYING NON-EVENT FAILURE PRC NATL PRESS COMMEMORATE 1ST ANNIVERSARY CHU TEH DEATH, PLUS NO SIGNIFICANT COMMEMORATION 7/1 ANNIVERSARY FOUNDING CHINA CP BUT DURING WK PAPERS CARRIED ARTICLES CONSTRUED BY UNCLASSIFIED

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OBSERVERS AS SUPPORTING TENG HSIAO-PING. SUN (7/10) AND GLOBE (7/9) ALSO CARRY AP REPORT FROM BELGRADE NOTING ALBANIA DENOUNCED PRC FOR CLOSER TIES W/US.

FIGHTER PILOT WHO DEFECTED TO TAIWAN SAID PRC LAND OF WIDESPREAD DISCONTENT/DISILLUSIONMENT RE FREQUENT PURGES/ POLITICAL SHIFTS. FAN DESCRIBED COUNTRY AS MILITARILY TOO WEAK TO LAUNCH ATTACK ON TAIWAN/PRC AF MORALE SAID LOW/ EQUIPMENT AGING. FAN SAID WORRIED ABOUT WIFE/CHILDREN/ HADN'T TOLD THEM OF ESCAPE PLANS. HE EXPRESSED HOPE PRES CARTER OR SECSTATE VANCE WOULD TAKE UP SAFETY OF FAMILY AS PART US CAMPAIGN FOR HUMAN RTS AND THAT US AUTHORITIES COULD PERSUADE PRC TO LET FAMILY JOIN HIM IN TAIWAN. FAN DESCRIBED POL SITUATION IN PRC AS UNSTABLE; FUKIEN PROVINCE UNDER MIL RULE AND STILL IN CHAOS. FAN SAID IMPOSSIBLE FOREIGN JOURNALISTS/VISITORS GAIN REAL UNDERSTANDING SITUATION (NYT SPEC TAIPEI 7/9 ALSO INCLUDES FAN PIX). NYT SPEC 7/8 NOTES DOS REFUSED COMMENT ON STATEMENT BY PILOT RE HOPE FOR US INTERCESSION IN PRC ON BEHALF HIS FAMILY.

WP CARRIES PIX OF FAN 7/9; BALTIMORE SUN/WSTAR (7/9) CARRY PIX FAN AND REPORT FROM TAIPEI. AP STORY (SUN/WSTAR) NOTES FAN STATEMENT ARMY PUT DOWN RECENT DISTURBANCES IN SOUTHERN CHINA AND HIS CITING OF UNREST/MISERY IN PRC. FAN SAYS PRC HIERARCHY REALLY UNSTABLE/HE FLED TELL WORLD ABOUT CONDITIONS IN CHINA--WHERE NO FREEDOM/DEMOCRACY, MANY DIE OF STARVATION. ARTICLE NOTES MIL SOURCES FAN BROUGHT PRC DEFENSE INFORMATION W/HIM.

IN RED FLAG, PRC'S TOP MISSILE EXPERT--ONCE COL IN USAF-- CHIEN HSUEH-SHEN, NOW DIRECTS MECHANICS INSTITUTE OF CHINESE ACADEMY OF SCIENCE, SAYS SCI/TECH LAG BEHIND OTHER UNCLASSIFIED

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COUNTRIES BECAUSE OF POLITICAL INTERFERENCE BUT SAYS
INEVITABLE PRC WILL CATCH UP/SURPASS WORLD'S ADVANCED
LEVELS. HE CHARGED "GANG OF FOUR" W/PROBLEMS/SAID HUA
AND OTHER PARTY LEADERS HAVE GIVEN SCIENTISTS MORE FREEDOM
AND MADE RAPID PROGRESS POSSIBLE (UPI HK, WSTAR 7/10).

BOSTON GLOBE (7/10) CARRIES PHOTO/REPORT ON DINNER
HONORING RETIRING HEAD BOSTON CONSULATE SHIH-YING WOO.
NOTES 68 YR OLD WOO PLANS RETURN TAIWAN/WILL BE REPLACED
BY J.K.TSO (CG IN PORTLAND).

HK GOVT HAS OPENED DRUG ADDICTION CENTER JOINTLY FINANCED
BY US/HK TO TREAT ADDICTS ON OUTPATIENT BASIS USING
ACUPUNCTURE/ELECTRIC STIMULATION. CENTER FIRST OF KIND IN
WORLD (AP HK, SUN 7/10).

2. INDOCHINA/THAILAND

FOUR THAI SOLDIERS/1 VILLAGE RESIDENT WOUNDED DURING 3 HR
CLASH W/CAMBODIAN TROOPS NEAR BORDER. RTG POLICE SAY
FIGHT W/20 CAMBODIANS TOOK PLACE IN PRACHIN BURI PROV
(AP, WP).

3. SINGAPORE

SINGAPORE AIRLINES ORDERS 4 DC-10S FOR DELIVERY BETW
8/78-3/79 W/RELATED EQUIPMENT. COST GIVEN AS 156.2 MIL
DOLS BY WSJ/166.6 MIL DOLS BY NYT (BOTH 7/9).

4. ASEAN

MEMBER FONMINS AT SINGAPORE MTG AGREE WORK FOR PEACEFUL
RELS W/INDOCHINA, ATTACK COMMUNIST INSURGENTS IN OWN
COUNTRIES. ALSO AGREED ON GREATER TRADE COOPERATION W/
JAPAN/AUSTRALIA/NZ (REUTER NYT 7/9).

5. AUSTRALIA

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ALCOA AUSSIE AFFILIATE PLANS BUILD ALUMINUM REFINERY W/O
PARTNERS IN W AUSTRALIA (WSJ).

6. PAPUA-NEW GUINEA

RULING COALITION SEEN VICTOR IN COUNTRY'S 1ST GENL ELECTION

THAT TOOK PLACE OVER LAST MO (AP NYT).

7. MALAYSIA

FROM KL, JOC'S LORENZ REPORTS RUBBER STILL MALAYSIA'S MAIN EXPORT EARNER, THO TREND TOWARDS MUCH GREATER PALM OIL CULTIVATION ALREADY FIRMLY ESTABLISHED. DOWNWARD TREND IN RUBBER PRICES EXPECTED CONTINUE, THO HIGH OIL COSTS, LEADING TO RISE IN SYNTHETIC RUBBER, COULD REVITALIZE NATURAL RUBBER MARKET.

8. KOREA

USEC HABIB ARRIVES SEOUL FOR TALKS W/US OFFICIALS ON PLANNED PULLOUT US TROOPS, OTHERS QUESTIONS (REUTER, NYT). HABIB VISIT TO LAY GROUNDWORK FOR ANNUAL SECURITY REVIEW. DOS' TRATTNER SAID HABIB WILL MEET W/AMB SNEIDER/GEN VESCEY, BUT DID NOT KNOW IF WILL MEET W/PRES PARK. SECDEF BROWN WILL HEAD US DEL TO ANNUAL SECURITY MTG SET FOR 7/19 (A., WSTAR 7/9). SEOUL PAPER SAYS HABIB WILL ALSO DISCUSS SK'S REPORTED INTENTION DEVELOP NUKE WEAPONS (NYT SPEC 7/9). CARTER ADMIN PLANS SEND SPECIAL LEGISLATION TO CONGRESS ASKING FOR MORE MIL AID TO COMPENSATE SK FOR W/DRAWAL US GROUND TROOPS. SIZE/CONTENT AID PKG STILL BEING DEBATED, COULD BE INFLUENCED BY ALLEGED SK INFLUENCE-BUYING ACTIVITIES IN CONGRESS (REUTER, NYT 7/9).
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NYT'S HALLORAN/HUNTER/THOMAS REPORT HOUSE ETHICS CMTE FINDS MORE CONGRESSMEN TOOK KOREAN FAVORS, W/115 APPARENTLY INVOLVED. INFO CAME FROM QUESTIONNAIRES SENT TO HOUSE MEMBERS/FORMER MEMBERS. AMONG SENIOR DEMS CONNECTED W/KOREAN LOBBYING EFFORT WERE ALBERT (OKLA)/O'NEILL (MASS)/BRADEMANS (IND)/PASSMAN (LA)/PRICE (ILL)/FOLEY (WASH). (EXCERPTED IN SUN). REP CAPUTO WANTS ETHICS CMTE HEAR NIXON TAPES TO ASCERTAIN WHAT WH KNEW RE SK INFLUENCE-PEDDLING (SARRO, WSTAR 7/8; UPI, GLOBE 7/9). CHMN PARK JOON KYU OF SK'S RULING PARTY SAYS TONGSUN PARK ACTING ON ROKG BEHALF IN WASHINGTON, WAS "DO SOME LOBBYING FOR US." STATEMENT MADE IN LAT INTERVIEW (GLOBE 7/9). DOJ HIRES ASST US ATTY WHITE FROM BALTIMORE FOR SK PROBE (WP 7/9).

FLOODS FOLLOWING TORRENTIAL RAIN KILL 171 IN SEOUL/SUBURBS (AP, WP 7/9; WSTAR 7/10; UPI 7/10 SUN, NYT, WP; AP NYT, SUN).

SK PLANS JOINT-VENTURE W/UNIDENTIFIED US INTERESTS TO SUPPLY COKE TO SK STEEL INDUSTRY. COAL WILL COME FROM

PENNA (AP, WSJ).

AMB WALTER DOWLING DIES AT 71; WAS ENVOY TO ROKG 1956-59 (NYT 7/9). ONCE-SECRET USG DOCUMENTS SHOW TRUMAN ADMIN IN 1950 PROPOSED SEND ALL-LATIN AM DIV TO FIGHT IN KOREA UNDER US OFFICERS (WSTAR 7/10).

9. JAPAN

UPPER HOUSE ELECTIONS GAINED SIGNIFICANT COVERAGE IN MOST PAPERS. IN TOKYO DISPATCHES, SUNDAY'S WP/STAR/SUN (SEIDEN) CITED JAPANESE NEWSPAPER POLLS PREDICTING MAJORITY LOSS FOR LDP. MONDAY'S PAPERS, HOWEVER, NOTED SURPRISING LDP GAIN, W/EARLY RETURNS SHOWING LDP FILLING HALF UPPER UNCLASSIFIED

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HOUSE SEATS. TOKYO/OSAKA/NAGOYA VOTES, TRADITIONALLY LESS CONSERVATIVE, UNCOUNTED AS YET; FINAL RESULTS NOT EXPECTED UNTIL LATE TUES AFTERNOON (MALCOLM, NYT; SAAR, WP; OKA, CSM; UPI, NYDN; WSJ; AP PHINQ, GLOBE; SEIDEN, SUN; ALL FROM TOKYO). NYT/SUN CARRY FOTO SMILING FUKUDA CASTING BALLOT.

SPEAKING ON NBC-TV'S "MEET THE PRESS" 7/10, ENERGY CHIEF SCHLESINGER CONFIRMED CARTER'S REJECTION ALASKAN OIL

SWAP W/JAPAN. SAID NEGATIVE DECISION CAME "PARTLY FOR POLITICAL GROUNDS, PARTLY FOR OTHER TECHNICAL REASONS" (WEAVER, NYT/SUN; WSJ; LAT).

EC/JAPANESE REPS SCHEDULED LAUNCH 2-DAY 2ND ROUND TRADE NEGOTS IN TOKYO 8/18. FON MINISTRY SOURCES SAY TALKS WILL AGAIN TAKE UP EC DEMAND THAT JAPAN IMPORT CONSIDERABLY LARGE VOLUMES PROCESSED FARM PRODUCTS FROM EC/LOWER TARIFFS ON SUCH ITEMS AS BUTTER/WHISKEY/CONFECTIONARIES (CULLISON, JOC TOKYO).

IN SEPARATE ITEM CULLISON SAYS JAPAN MAY FORMALLY APPEAL TO GATT ANTI-DUMPING CMTE IN ATTEMPT OVERTURN UK'S DECISION IMPOSE 9 PCT ANTIDUMPING DUTIES ON IMPORTED JAPANESE NON-ALLOY LIGHT STEEL SECTIONS. MITI AUTHORITIES DESCRIBED UK MOVE AS "UNILATERAL AND TOTALLY UNACCEPTABLE,/PREDICTED IT WOULD HAVE "UNDESIRABLE EFFECT" ON JAPAN/UK TRADE RELS.

JAPANESE CHIEF CABINET SEC SONODA TOLD NEWSMEN IN TOKYO AT WEEKEND THAT FUKUDA ADMIN FULLY INTENDS PROCEED W/PLANS BEGIN OPNS AT TOKAI REPROCESSING PLANT REGARDLESS OF STATEMENTS BY US OFFICIALS THAT PLANT WOULD NOT OPEN UNCLASSIFIED

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FOR AT LEAST 2 MONTHS. SONODA CALLED IT "UNTHINKABLE" THAT US SOURCES SHOULD THINK DELAY NECESSARY IN TRIAL START (CULLISON).

THARP (WSJ TOKYO) REPORTS GOJ AUTHORITIES COMING UNDER DOMESTIC FIRE FOR ALLOWING STRONG YEN RISE AGAINST DOLLAR. SOME INDUSTRIES ALREADY HURT BY YEN'S 10 PCT APPRECIATION SINCE JANUARY/CLAIM THEY CAN'T RAISE DOLLAR EXPORT PRICES TO REFLECT HIGHER RATE. BANK OF JAPAN INSISTS IT HASN'T CHANGED POLICY OF INTERVENING ONLY TO SMOOTH WILD MARKET FLUCTUATIONS; JAPANESE OFFICIAL SAYS YEN'S RISE NOT SEEN ,VERY ABNORMAL OR VERY UNUSUAL."

NISSAN MOTOR'S NEW PRES BELIEVES YEN'S APPRECIATION WON'T REDUCE COMPETITIVE ADVANTAGES JAPAN'S AUTOS ON WORLD EXPORT MART. CLAIMS FOM BUYERS NOT ATTRACTED PRIMARILY BY PRICE, BUT BY JAPANESE AUTOS' HIGH QUALITY/PROMPT DELIVERIES/DEPENDABLE SERVICE (CULLISON).

SUN CARRIES UPI FOTO SOME OF 1500 PERSONS POISO NED 7/10 AFTER EATING BOX LUNCHES AT OSAKA FURNITURE SHOW. SOME 400 HOSPITALIZED/OVER 100 W/PARTIAL PARALYSIS.

WOMEN-ONLY HOTEL WILL OPEN IN KYOTO THIS MONTH. HOTEL KIBANKAN WILL HAVE 96 RMS AT 11-DOL RATE (WSTAR 7/10).

WSJ REPORTS NUMBER CREDIT-CARD HOLDERS IN JAPAN HAS MORE THAN DOUBLED IN PAST 5 YRS, W/CARD VOLUME INCREASING FASTER THAN OVERALL RETAIL SALES (KANABAYSHI).

10. JAPAN/AUSTRALIA

MITSUBISHI PRES TANABE SAYS DEFICIT-RIDDEN JAPANESE SUGAR REFINERS MAY REFUSE ACCEPT SHIPMENTS HIGH-PRICED AUSTRALIAN SUGAR. AUSTRALIAN SUGAR INDUSTRY REP HAS BEEN IN JAPAN SINCE EARLY LAST WK IN BID RESUME DEADLOCKED
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PRICE NEGOTS (UPI, JOC).

COMMENT AND ANALYSIS

11. KOREA

GLOBE'S BEECHER CITES ,WELL-PLACED SOURCES' WHO SAY PRES

PARK STRENUOUSLY APPEALED" TO UNDER SEC HABIB FOR US ALLOW "TOKEN NUMBER" NUKES BE RETAINED SK IN ORDER HELP DETER NKOREAN ATTACK. SAYS HABIB PASSED MESSAGE TO CARTER, AND POSSIBILITY OF LEAVING SMALL NUMBER TACTICAL NUKES NOW BEING LOOKED INTO. OFFICIALS SAY NUKES NOT SCHEDULED BE REMOVED UNTIL LATE IN W/DRAWAL CYCLE, SO SOME MAY BE LEFT IF IT APPEARS, 4-5 YRS HENCE, THAT NK MAKING WAR PREPARATIONS.

SUN (7/9) RUNS PRO/CON WITHDRAWAL ARTICLES SIDE-BY-SIDE, WRITTEN BY SEN MCGOVERN/FORMER UNC CHIEF RICHARD STILWELL, RESPECTIVELY. MCGOVERN CONTENDS SK CAPABLE OF OWN DEFENSE, CHARGES CHIEF DANGER THERE IS NOT MIL THREAT FROM NK, BUT PRES PARK'S ;REPRESSIVE CONDUCT." SAYS PURPOSES FOR WHICH TROOPS THERE TO BEGIN WITH--SK PRESERVATION/STABILIZING FACTOR ON PENINSULA--HAVE BEEN SERVED. STILWELL COUNTERS THAT W/DRAWAL WILL "UNDERMINE THE VITALITY OF NORTHEAST ASIA, EXACERBATE REGIONAL TENSIONS, AND GREATLY INCREASE THE RISK OF ARMED CONFLICT." STATES PRC WILL SEE PULLOUT AS EVIDENCE US NO LONGER INTENDS EXERCISE MAJOR INFLUENCE IN EA/NO LONGER DEDICATED TO OPPOSING SOVIET EXPANSION. CLAIMS UNC HAS BEEN "GLUE WHICH HAS HELD ALL TOGETHER."

WP BELIEVES IT WISER TO ENCOURAGE "STRONG, NONPARTISAN INVESTIGATIONS BY DOJ/RESORT TO SPECIAL PROSECUTOR ONLY UNCLASSIFIED

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IN RARE CASES WHERE POL COMPLICATIONS ACUTE. SAYS AT SOME POINT, KOREAN AFFAIR MIGHT REQUIRE SPECIAL PROSECUTOR, BUT NOW, DOJ ALONE SHOULD PRESS AHEAD. ADDS IF REPS WANT PROVE THEIR COMMITMENT TO ROOTING OUT CAPITOL HILL CORRUPTION, THEY CAN BEST DO SO BY INVESTIGATING SCANDAL VIGOROUSLY THEMSELVES/DEALING FIRMLY W/COLLEAGUES WHOSE CONDUCT ABUSED PUBLIC TRUST.

GEORGIA STATE UNIV POLI SCI PROF NACK YOUNG AN WRITES NYT (7/10), EXPLAINING THAT KOREAN GIFT-GIVING IS OLD CUSTOM/SHOULD NOT BE CONSIDERED "MORALLY REPREHENSIBLE ACT." URGES ETHICS CMTE TAKE INTO ACCOUNT "DELICATE CULTURAL DIFFERENCES" IN GIFT-GIVING PRACTICES/"NOT GO OVERBOARD" IN ITS INVESTIGATIONS.

12. CHINA

FROM HK, NYT'S BUTTERFIELD WRITES THAT WHEN SENIOR MEMBER PRC HIERARCHY COMMENTS ON DEVELOPMENT IN US AND REMARKS CARRIED BY PRC PRESS AGENCY, CAN BE CONSIDERED AS SIGNIFICANT STATEMENT. BUTTERFIELD VIEWS LI HSIEN-NIEN STATEMENTS AS PRC REACTION TO VANCE SPEECH OUTLINING CARTER ADMIN CHINA POLICY. NOTES TREATY W/TAIWAN MAIN STUMBLING

BLOCK TO IMPROVED TIES W/PEKING. QUOTES DOS SOURCE WAS "A CONSCIOUS ACT, BOTH WHAT IS INCLUDED IN IT AND WHAT IS NOT." BUTTERFIELD QUESTIONS WHETHER STATEMENT HINTS ADMIN NOW PREPARED DROP SECURITY TREATY. SAYS IN CONTRAST, LI REJOINER MODEL OF CLARITY AND THEN ADDS NCNA'S QUOTING OF 3 CONDITIONS, ETC. ARTICLE ALSO NOTES PRC CRITICISM OF RADICALS CONTINUES W/ NEW MISDEEDS BEING UNEARTHED BUT SOME CRITICISM MAY SERVE AS PRETEXT FOR AIRING VARIETY PROBLEMS. SAYS APPEARS PRC'S NEW LEADERS W/COMMITMENT TO RAPID ECON GROWTH WANT TO MAKE SURE LOCAL OFFICIALS DELIVER THEIR MESSAGES STRAIGHT. HOWEVER, PEKING ALSO ENGAGING IN SLEIGHT OF HAND, TURNING POISONOUS WEEDS INTO FRAGRANT FLOWERS ACCORDING 3 DOCUMENTS ALLEGEDLY WRITTEN UNDER TENG AEGIS LAST YR. STUDIES APPEAR CONSTITUTE MAJOR PROGRAM FOR UNCLASSIFIED

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OVERHAULING MANY RADICAL REFORMS.

FROM HK, ISAACS (SUN) WRITES THAT IN PURSUING TIES W/PRC TAIWAN CAN'T BE IGNORED. SAYS VANCE SPEECH ON US' CHINA POLICY HAS SUDDEN LY BEGUN TO SEEM AN UPSIDE-DOWN FLASH BACK TO AN EARLIER ERA. IN LATEST STATEMENTS, CARTER/VANCE HAVE COME CLOSE PRETENDING NATL/LIST RULED TAIWAN DOES NOT EXIST. BUT PRC IN FIRST REPLY TO WASHINGTON SIGNALS GAVE NO HINT THAT DIP SILENCE ON TAIWAN WILL BE KEY TO COMPROMISE. PRC VICE PREMIER LI HSIEN-NIEN INDICATED JUST OPPOSITE IN MTG W/ZUMWALT. SAYS VANCE SPEECH SKIRTED ISSUE OF HOW US WILL DEAL W/TAIWAN QUESTION--CALLS THIS REMARKABLE. NOTES VANCE DIDN'T SAY WHETHER US PREPARED BREAK DIP TIES W/TAIPEI GOVT. ONLY VANCE REFERENCE IS VAGUE PHRASE. ADDS OUTSIDE ADMIN, US ANALYSTS/POLICYMAKERS HOLD DIFFERING VIEWS ON WHICH BEST COURSE FOLLOW AND CITES VIEWS OF "PRO-PEKING"/"PRO-TAIWAN" GROUPS.

NYT EDIT 7/9 SAYS PRC OFFICIALS TELLING US VISITORS CARTER ADMIN MUST SEVER UMBILICAL CORD W/TAIWAN. SAYS ON THIS

ISSUE POST-MAO LEADERSHIP HAS BECOME INCREASINGLY STRIDENT. SECSTATE VANCE SPEECH ON ASIAN POLICY OFFERS NO SPECIFIC PROPOSALS TO EFFECT STATED DESIRE TO NORMALIZE RELS W/PRC. DANGER IS IMPASSE. USE OF FORCE RE TAIWAN CENTRAL ISSUE STALEMATED SINO-US RELS SECSTATE WILL EXPLORE DURING AUG VISIT TO PRC BUT RESOLUTION UNLIKELY THEN; BUT MISSION SHOULD REGAIN SOME POL MOMENTUM. TWO STEPS WOULD HELP: ADMIN SHOULD COMPLETE PULLOUT US MIL PERSONNEL FROM TAIWAN/VANCE MISSION MIGHT SEEK AGREE-MENT ON ASSETS/CLAIMS. NEITHER STEP LARGE BUT WOULD ENCOUNTER BUREAUCRATIC RESISTANCE IN WASHINGTON; YET WOULD DEMONSTRATE DESIRE TO PROCEED ALONG PATH TO "NORMALIZA- UNCLASSIFIED

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TION"/BUY TIME FOR NEW LEADERSHIP BOTH COUNTRIES. VANCE

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Review Withdrawn Fields: n/a
SAS ID: 1902507
Secure: OPEN
Status: NATIVE
Subject: JULY 11 EA PRESS SUMMARY
TAGS: SOPN, XC, US
To: EA POSTS MOSCOW MULTIPLE
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